FINANCIAL STATEMENTS
FIVE YEAR SUMMARY

(dollar amounts in thousands, except per share and per sales dollar figures)

	1973	1972	1971(a)	1970	1969
Operations:					
Sales	**$2,025,300**	1,861,588	1,798,719	1,650,249	1,479,522
Earnings before extraordinary charges	**3,601(b)**	12,426	14,934	12,530	11,001
Cash dividends	**5,231**	6,831	6,479	6,142	5,927
Earnings per sales dollar	**0.18¢**	0.67¢	0.83¢	0.76¢	0.74¢
Financial Position:					
Working capital	**$ 95,983**	91,318	87,510	59,151	67,338
Current ratio	**1.75**	1.76	1.76	1.44	1.66
Plant and equipment, net	**157,618**	154,086	148,292	136,715	121,142
Total assets	**386,428**	370,020	354,623	336,448	298,998
Long-term debt	**58,137**	45,003	42,724	12,656	14,306
Shareholders' equity	**187,288**	191,489	185,030	176,713	169,898
Per Share Data (c):					
Earnings before extraordinary charges	**$ 1.03(b)**	3.57	4.30	3.62	3.18
Cash dividends	**1.50**	1.96	1.86	1.79	1.76
Stock dividends	**—**	2%	5%	4%	2%
Shareholders' equity (year end)	**53.70**	54.92	53.37	50.94	49.14
Other Information:					
Depreciation and amortization	**$ 21,882**	20,130	18,630	16,750	15,018
Plant and equipment additions	**30,871**	39,771	30,870	30,667	22,625
Average shares outstanding	**3,487,320**	3,483,002	3,401,214	3,235,914	3,102,135
Food stores (year end)	**717**	779	787	804	813
Other stores (year end)	**104**	97	91	77	74

(a) 53 week year; other years 52 weeks.

(b) Earnings shown are before extraordinary charges of $2,585,000 ($.74 a share), arising from flood loss and from store closing costs.

(c) Based on average number of shares outstanding during the respective fiscal years, adjusted for stock dividends, except shareholders' equity per share which is based on year end shares outstanding, adjusted for stock dividends.

STATEMENTS OF CONSOLIDATED EARNINGS

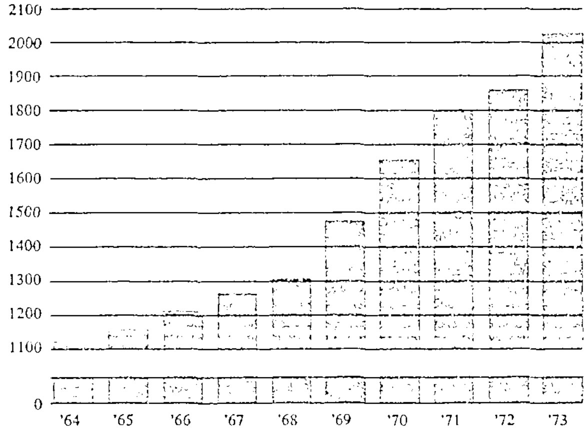
Fiscal Years ended March 31, 1973 and April 1, 1972

CURRENT EARNINGS	1973	1972
Sales	**$2,025,300,000**	1,861,588,000
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses	**1,628,448,000**	1,469,259,000
Wages, rents, advertising, administrative and other operating expenses	**366,834,000**	348,503,000
Depreciation and amortization	**21,882,000**	20,130,000
	2,017,164,000	1,837,892,000
Operating profit	**8,136,000**	23,696,000
Other income (deductions):		
Non-operating items, net	**1,337,000**	1,605,000
Interest expense	**(5,172,000)**	(4,075,000)
Earnings before income taxes and extraordinary charges	**4,301,000**	21,226,000
Federal and state income taxes (note 3)	**700,000**	8,800,000
Earnings before extraordinary charges	**3,601,000**	12,426,000
Extraordinary charges, less related income tax benefit $2,485,000 (note 8)	**(2,585,000)**	—
Net earnings	**$ 1,016,000**	12,426,000
Per share data:		
Earnings before extraordinary charges	**$1.03**	3.57
Extraordinary charges	**(.74)**	—
Net earnings	**$ .29**	3.57

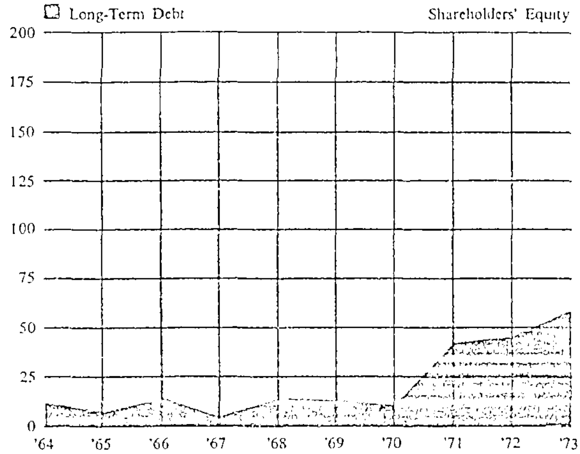
EARNINGS RETAINED FOR USE IN THE BUSINESS	1973	1972
Balance at beginning of year	**$ 54,965,000**	52,257,000
Net earnings for the year	**1,016,000**	12,426,000
	55,981,000	64,683,000
Deduct:		
Cash dividends—$1.50 a share (1972—$2.00 a share)	**5,231,000**	6,831,000
Stock dividend—2%	—	2,887,000
	5,231,000	9,718,000
Balance at end of year	**$ 50,750,000**	54,965,000

See accompanying notes to financial statements.

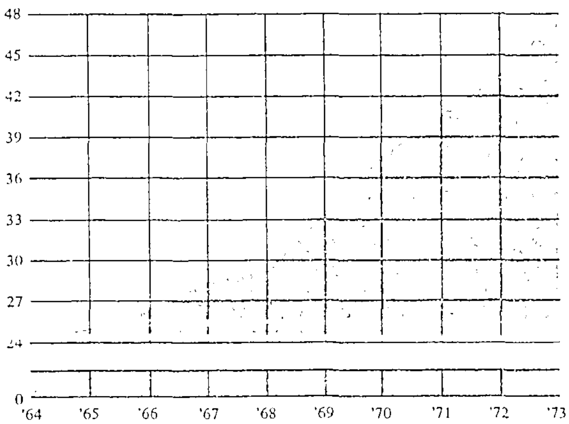
SALES
Millions of Dollars



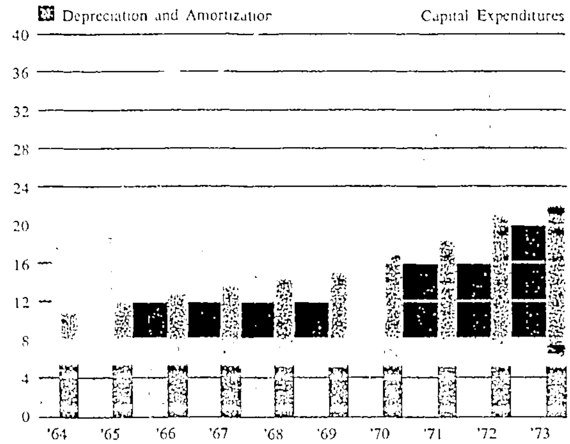
SHAREHOLDERS' EQUITY AND LONG-TERM DEBT
Millions of Dollars



AVERAGE WEEKLY SALES PER FOOD STORE
Thousands of Dollars



CAPITAL EXPENDITURES AND DEPRECIATION
Millions of Dollars



ACCOUNTANTS' REPORT

The Shareholders and Board of Directors
Acme Markets, Inc.:

We have examined the consolidated balance sheets of Acme Markets, Inc. and subsidiaries as of March 31, 1973 and April 1, 1972 and the related statements of earnings and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Acme Markets, Inc. and subsidiaries at March 31, 1973 and April 1, 1972 and the results of their operations and changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

1500 Walnut Street, Philadelphia, Pa. 19102
May 14, 1973

PEAT, MARWICK, MITCHELL & CO.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

SOURCE:	1973	1972
Earnings before extraordinary charges	$ 3,601,000	12,426,000
Expenses charged against earnings not involving the expenditure of funds:		
Depreciation and amortization	21,882,000	20,130,000
Deferred income taxes	617,000	1,023,000
Other	80,000	56,000
Total funds provided from operations, before extraordinary charges	26,180,000	33,635,000
Extraordinary charges, excluding $1,176,000 not requiring funds	(1,409,000)	—
Long-term borrowing:		
Notes payable	15,000,000	—
Mortgage loan on bakery facility	—	4,730,000
Other	1,375,000	440,000
Distribution centers sold or to be sold and leased back	868,000	9,562,000
Other disposals of properties	3,648,000	3,621,000
Proceeds from sales of common stock pursuant to exercise of options	14,000	562,000
Proceeds from sales of 5,234 shares common treasury stock	—	289,000
Miscellaneous, net	(385,000)	797,000
Total source of funds	45,291,000	53,636,000
DISPOSITION:		
Expended for plant and equipment	30,871,000	39,771,000
Reduction of long-term debt	3,241,000	2,890,000
Cash dividends	5,231,000	6,831,000
Investments and deferred charges	1,283,000	336,000
Total disposition of funds	40,626,000	49,828,000
Increase in working capital	$ 4,665,000	3,808,000
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash and marketable securities	$ (4,983,000)	(3,980,000)
Inventories	26,972,000	10,713,000
Properties to be developed and sold within one year	(6,013,000)	3,046,000
Other current assets	(4,303,000)	(456,000)
	11,673,000	9,323,000
Increase (decrease) in current liabilities:		
Notes payable and current instalments of long-term debt	370,000	(847,000)
Accounts payable, accrued expenses and taxes	12,838,000	162,000
Construction loan	(6,200,000)	6,200,000
	7,008,000	5,515,000
Increase in working capital	$ 4,665,000	3,808,000

See accompanying notes to financial statements.

CONSOLIDATED BALANCE SHEETS

March 31, 1973 and April 1, 1972

ASSETS	1973	1972
Current assets:		
Cash	$ 16,155,000	19,434,000
Short-term marketable securities, at cost	13,724,000	15,428,000
Receivables	9,267,000	9,238,000
Recoverable Federal and state income taxes	—	3,389,000
Inventories, at lower of cost (average or first-in, first-out) or market	172,953,000	145,981,000
Prepaid expenses	6,163,000	7,106,000
Properties to be developed and sold within one year	4,865,000	10,878,000
Total current assets	223,127,000	211,454,000
Investments, at cost or less	4,536,000	3,253,000
Plant and equipment, at cost:		
Land	18,273,000	17,303,000
Buildings	62,854,000	66,164,000
Machinery, equipment and fixtures	156,127,000	147,924,000
Leasehold costs and improvements	26,458,000	24,768,000
	263,712,000	256,159,000
Less accumulated depreciation and amortization	106,094,000	102,073,000
Net plant and equipment	157,618,000	154,086,000
Deferred charges, etc.	1,147,000	1,227,000
	$386,428,000	370,020,000

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	1973	1972
Current liabilities:		
Current instalments of long-term debt (note 2)	$ 2,714,000	2,344,000
Accounts payable	89,812,000	80,454,000
Accrued expenses	33,380,000	31,138,000
Federal and state income taxes (note 3)	1,238,000	—
Construction loan on property to be sold	—	6,200,000
Total current liabilities	127,144,000	120,136,000
Long-term debt, excluding current instalments (note 2)	58,137,000	45,003,000
Deferred income taxes (note 3)	11,972,000	11,943,000
Reserve for self insurance, etc.	1,887,000	1,449,000
Shareholders' equity:		
Preferred stock of $1 par value. Authorized 1,000,000 shares; issued none	—	—
Common stock of $1 par value. Authorized 10,000,000 shares; issued 3,507,234 shares (1972—3,506,834 shares) (note 4)	3,507,000	3,507,000
Capital in excess of par value of common stock (note 5)	133,903,000	133,889,000
Earnings retained for use in the business, less amount capitalized through stock dividends (note 2)	50,750,000	54,965,000
	188,160,000	192,361,000
Less 19,876 shares common treasury stock, at cost	872,000	872,000
Total shareholders' equity	187,288,000	191,489,000
	$386,428,000	370,020,000

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Definition of Fiscal Year. The company's fiscal year ends on the Saturday nearest to March 31. Fiscal year 1973 ended March 31, 1973; fiscal year 1972 ended April 1, 1972. Both of these years comprised 52 weeks.

Basis of Consolidation. The consolidated financial statements include the accounts of the company and all subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Depreciation Policy. Depreciation and amortization charged to earnings for financial statement purposes are generally computed using the straight-line method applied to individual property items. For income tax purposes, depreciation is computed by accelerated methods applied to composite groupings of assets.

Income Taxes. The company provides deferred income taxes or credits where there are timing differences in recording income and expenses for financial reporting and tax purposes. These timing differences relate primarily to accelerated depreciation and reserves not currently tax deductible.

The company reduces its current income tax provision for investment tax credits in the year in which the credits arise. Credits for 1964 and prior which were deferred are being amortized over the estimated lives of the related assets.

Pension Costs. Pension costs are actuarially computed and include amortization of prior service cost over periods ranging to forty years. The company's policy is to fund pension costs accrued.

Per Share Data. Per share data are based on the average number of common shares outstanding during the year. Common share equivalents in the form of stock options are excluded from the calculation since they have no material dilutive effect on per share figures.

(2) Long-term Debt. A summary of long-term debt at March 31, 1973 and April 1, 1972 is shown below:

	1973	1972
9⅞% sinking fund debentures due August 1, 1990	**$25,000,000**	25,000,000
Notes payable due June 30, 1980	**15,000,000**	—
9½% mortgage loan due December 1, 1996	**8,867,000**	9,660,000
5¾% notes payable due August 1, 1975	**4,000,000**	5,600,000
Other notes payable	**$ 4,109,000**	2,980,000
Purchase agreement	**3,875,000**	4,107,000
	60,851,000	47,347,000
Current instalments	**2,714,000**	2,344,000
Long-term	**$58,137,000**	45,003,000

Sinking fund payments, sufficient to retire $1,560,000 principal amount of the 9⅞% sinking fund debentures, are due annually beginning August 1, 1975.

The notes payable due June 30, 1980 bear interest at prime rate plus ½% (7% at March 31, 1973), with a maximum average rate of 7½% to maturity. The notes are payable in quarterly instalments of $500,000 beginning March 31, 1976 with the remainder of $6,500,000 payable at maturity.

The 9½% mortgage loan is payable in monthly instalments of $100,000 through January 1, 1984 and $40,000 thereafter (applied first to interest and then to principal) and is secured by the Alpha Beta bakery real estate and fixtures.

The 5¾% notes are to be repaid in equal quarterly instalments of $400,000.

The other notes payable bear interest at various rates, generally from 5¾% to 9⅜%, are to be repaid by 1988 and are in part secured by deeds of trust on certain real estate. The purchase agreement relates to a distribution center property and requires equal semi-annual payments through 1986 applied first to interest (currently 2⅞%) and the remainder to principal.

The various loan agreements impose certain restrictions with respect to maintenance of working capital, payment of dividends and purchase of capital shares. Under the most restrictive covenant, earnings retained for use in the business in the approximate amount of $16,000,000 at March 31, 1973 were free of restrictions.

(3) Income Taxes. Federal and state income taxes charged to earnings are summarized below:

	1973	1972
Current:		
Federal (before investment credits)	**$1,271,000**	8,500,000
Investment credits realized	**(1,500,000)**	(1,530,000)
State	**414,000**	939,000
Deferred	**617,000**	1,023,000
Amortization of investment credits deferred in 1964 and prior years	**(102,000)**	(132,000)
	$ 700,000	8,800,000

Federal income tax returns of the company have been examined by the Internal Revenue Service through fiscal 1968. In regard to fiscal years 1963-1968, the IRS has proposed adjustments, in addition to those already settled and paid by the company, principally the extension of lives used in computing depreciation of buildings and leasehold improvements. A tentative agreement has been reached on a compromised basis and the estimated additional taxes to be paid have been transferred from the deferred tax account to current liabilities since the adjustments relate to timing differences.

(4) **Stock Options.** Under the company's stock option plans approved by the shareholders in 1952 and 1964, there were outstanding at March 31, 1973 options granted to officers and key management employees to purchase 47,665 shares common stock at prices ranging from $34.12 to $50.08, such prices being either 95% or 100% of market price on the respective dates of granting, adjusted for subsequent stock dividends. The options are exercisable on a cumulative basis over a period of five years or less and expire on or before April 26, 1977. The changes in options outstanding during the two years are summarized as follows:

	1973	1972
Shares under option at beginning of year	**66,273**	94,895
Additions (deductions):		
Options granted	**9,900**	—
Options exercised	**(400)**	(14,653)
Options expired or terminated	**(28,108)**	(15,252)
Options increased by reason of stock dividend	—	1,283
Shares under option at end of year (at an average option price of $38.32 at March 31, 1973)	**47,665**	66,273

Under the 1964 option plan at March 31, 1973 an additional 72,820 shares common stock were reserved for future option grants.

(5) **Capital in Excess of Par Value of Common Stock.** Changes in capital in excess of par value of common stock are as follows:

	1973	1972
Balance at beginning of year	**$133,889,000**	130,455,000
Excess of assigned value over par value of 68,748 shares common stock issued as a stock dividend in 1972	—	2,819,000
Excess of sales proceeds over par value of 400 common shares sold pursuant to exercise of stock options (1972-14,653 shares)	$ **14,000**	547,000
Excess of proceeds over cost of common treasury shares sold	—	55,000
Miscellaneous	—	13,000
Balance at end of year	**$133,903,000**	133,889,000

(6) **Lease Commitments.** At March 31, 1973 the company and subsidiaries were lessees under 873 leases, including 60 leases for stores not yet opened, covering retail locations and certain distribution center properties. Rent expense was $29,400,000 and $25,536,000 for fiscal years 1973 and 1972, respectively. Aggregate future rental commitments (excluding taxes, insurance and maintenance expenses where payable by the lessee) are approximately as follows for the fiscal years indicated: 1974-1978-$139,000,000; 1979-1983-$108,000,000; 1984-1988-$77,000,000; 1989-1993-$52,000,000; after March 31, 1993-$14,000,000. Most of the leases contain renewal options which give the company the right to extend the lease for varying additional periods, often at reduced rentals.

(7) **Pension Plans.** Substantially all employees of the company and its subsidiaries are covered by funded pension plans. Employees who are members of bargaining units are covered by union-negotiated pension plans to which the company makes contributions based on hours worked. For other eligible employees, the company provides pension benefits through group annuity contracts with a life insurance company. The total charge to earnings for all plans for the year ended March 31, 1973 was approximately $12,315,000 compared with $10,505,000 for the preceding fiscal year.

(8) **Extraordinary Charges.** Shown as an extraordinary charge is the loss of $1,523,000 after related income tax benefit of $1,505,000 due to flooding caused by Tropical Storm Agnes in June 1972.

During the last quarter of fiscal 1973, the company closed 67 small, low-volume supermarket units which, because of a change in merchandising emphasis, including the dropping of trading stamps, were no longer competitive. Provision for losses attributable to discontinuing these operations and disposing of the properties and leases, $1,062,000 after income tax benefit of $980,000, has also been shown as an extraordinary charge. Operating results of the closed stores are included in operations for the year.

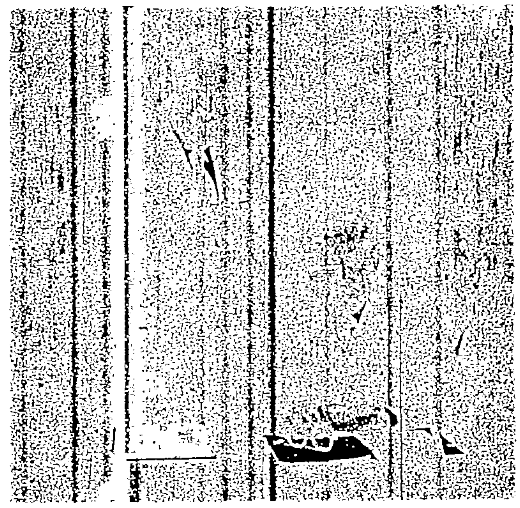
REPORT TO THE SHAREHOLDERS

For the first time in the history of the Company, annual sales volume exceeded the 2 billion dollar mark. This sales record, an 8.8% increase over the previous year, was set in a year that was a most difficult one for the retail food industry. Competition was intense throughout the year and we were plagued by rising merchandise costs and operating expenses, even though price and wage controls were in effect. Earnings for the entire fiscal year were off substantially compared with the previous year. However, profit performance improved in the second 26-week period so that, at year end, the losses reported for the first 26-week period had been more than overcome. For the entire year, we reported earnings both before extraordinary charges and after such charges.

Early in 1972, aggressive steps were taken to meet changing conditions in the retail food industry. In the East we dropped trading stamps in nearly all our food stores, and instituted a discount-type operation. Customer response to our merchandising programs has been encouraging, both at Acme in the East and at Alpha Beta in the West. With 62 fewer food stores at the end of the fiscal year, the sales increase over the comparable previous period improved each quarter during the year. The percentage increase in the fourth quarter was 10.7% over the prior year comparable period. Average weekly sales per food store during the fiscal year were $47,980, compared to $43,420 for the previous year.

Realizing the necessity of having modern food stores of adequate size for our discount-type program in the East, a thorough study was made of each food store and its potential to contribute to the profitability of the Company under existing wage and price levels. As a result of this analysis, 67 eastern food stores were closed, in addition to the 33 closed under our normal store closing and replacement program. This special store closing program resulted in an extraordinary charge in fiscal 1973, but it is expected to have a favorable influence on profitability in future years. Another extraordinary charge mentioned in the Semiannual Report resulted from losses arising from the flood damage caused by tropical storm Agnes in June, 1972.

Subject to approval of stockholders, the corporate title of your Company will be changed to American Stores Company, the original name used from 1917 until 1962. In 1962 the corporate name was changed to Acme Markets, Inc., thus conforming the corporate title to the business name used by most of the Company's stores in the East. With the growth of the Company's business in the West through its wholly owned subsidiary, Alpha Beta Acme Markets, Inc., and the acquisitions of other lines of business operated by subsidiaries of the Company, it seems advisable to restructure the corporate organization of the Company. In April the Board of Directors approved a plan which would place the retail food operations in the East in a subsidiary company named Acme Markets, Inc.,



Paul J. Cupp　　*John R. Park*

the stock of which would be owned by your Company. After the amendment becomes effective, the same businesses now conducted by subsidiaries and your Company will be conducted by wholly owned subsidiaries of American Stores Company.

The Company, in the coming year, will not have the services of three of its valued Board members.

Arthur C Kaufmann, a member of the Board of Directors for 12 years, will not stand for reelection in accordance with the Board's retirement policy. His wide background of business experience has been most helpful and we are indebted to him. Two other Board members have requested that they not be considered for reelection. Claude W. Edwards, one of the founders of Alpha Beta, has been a member of the Acme Board of Directors since 1961, and Vice Chairman since 1968. His contributions over the years to both the Company and the food industry have been invaluable and widely recognized. A. E. Gilfillan, who has been with the Company for more than 27 years, has served as a member of the Board since 1964, and as General Counsel. His contributions also have been substantial. To all three of these gentlemen we express our appreciation. They will be greatly missed. Fortunately we will continue to have the advice and counsel of Mr. Edwards and Mr. Gilfillan in specialized fields—Mr. Edwards in Alpha Beta real estate matters and Mr. Gilfillan as an attorney.

The uncertainty created in the food industry by having mandatory price and wage controls while other segments of the economy are either partially decontrolled or uncontrolled causes us concern. The meat supply and demand problem, in particular, continues to be serious. However, the dedication of Acme people in surmounting the difficulties of the past year gives us confidence in our ability to continue the improvement of the second half of that year into the current year.

Respectfully submitted,

Paul J. Cupp　　John R. Park

Chairman
Board of Directors

President
and Chief Executive Officer

Philadelphia, Pa. May 18, 1973

1973 HIGHLIGHTS

Fiscal years ended March 31, 1973 and April 1, 1972

	1973	1972
Sales	$2,025,300,000	$1,861,588,000
Earnings before Extraordinary Charges	$3,601,000	$12,426,000
Extraordinary Charges	(2,585,000)	—
Net Earnings	$1,016,000	$12,426,000
Per Share Data:		
Earnings before Extraordinary Charges	$1.03	$3.57
Extraordinary Charges	(.74)	—
Net Earnings	$ .29	$3.57
Number of Shareholders	16,197	15,884
Number of Employees	36,429	36,101

RETAIL UNITS IN OPERATION

	1973	1972
Food Stores	717	779
Rea & Derick Stores	88	81
Hy-Lo Stores	10	10
Discount Department Stores	6	6
Alphy's Coffee Shops and Hardee's Restaurants	42	45
Total Food Store Sales Area (square feet)	9,629,000	9,681,000

DIRECTORS

James K. Robinson, Jr., *Vice President*

John R. Park, *President and Chief Executive Officer*

Paul J. Cupp, *Chairman, Board of Directors*

A. J. Faulhaber, *Vice President*

Arthur C. Kaufmann, *Chairman, Board of Directors, Arthur C. Kaufmann and Associates, Inc.*

Claude W. Edwards, *Vice Chairman, Board of Directors*

A. E. Gilfillan, *Vice President and Assistant Secretary*

James A. Hamill, *Executive Vice President*

Thomas T. Oyler, *Executive Vice President*

Edward J. Dwyer, *Chairman, Board of Directors, ESB Incorporated*

William R. Deeley, *President and Chief Executive Officer, Alpha Beta Acme Markets, Inc.*

Orvel Sebring, *Partner, Morgan, Lewis & Bockius*

Isadore M. Scott, *Chairman, Board of Directors, Tri-Institutional Facilities, Inc.*

CORPORATE OFFICERS

Paul J. Cupp, *Chairman, Board of Directors*

Claude W. Edwards, *Vice Chairman, Board of Directors*

John R. Park, *President and Chief Executive Officer*

James A. Hamill, *Executive Vice President*

Thomas T. Oyler, *Executive Vice President*

James K. Robinson, Jr., *Vice President*

A. J. Faulhaber, *Vice President*

A. E. Gilfillan, *Vice President and Assistant Secretary*

John G. C. Fuller, *Treasurer*

C. Herbert Fry, *Controller*

John W. Edstrom, *Secretary*

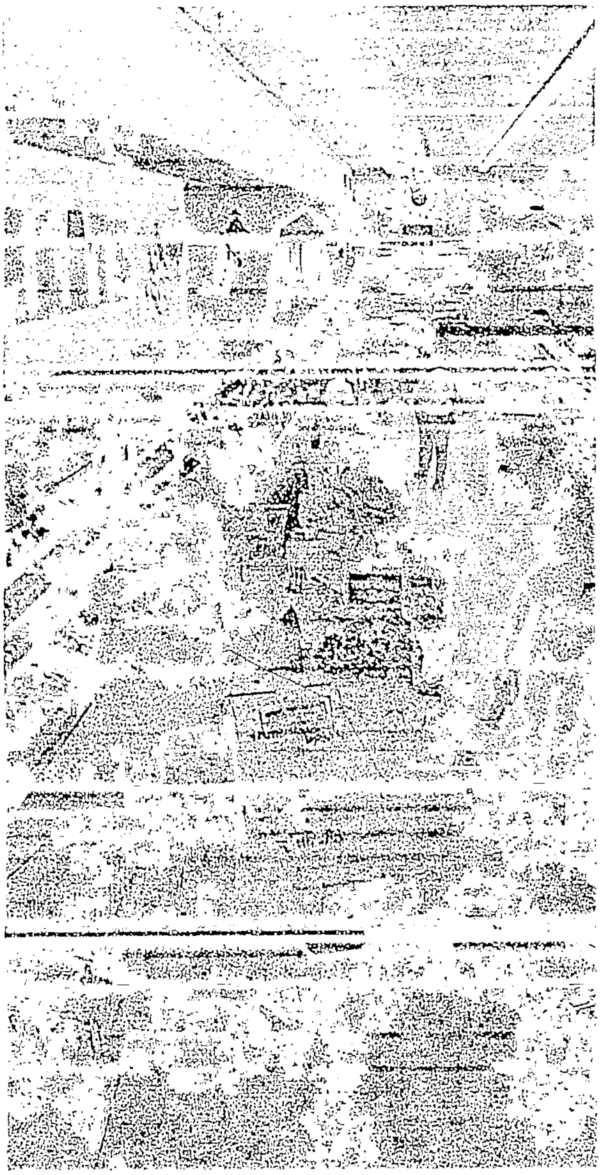
Rowland G. Weber, *Assistant Secretary*

Thomas H. Sunday, *Assistant Secretary*

Robert G. Bunch, *Assistant Treasurer*

Robert W. Simpson, *Assistant Treasurer*

BUILDING FOR THE FUTURE



The Company opened 38 new markets during the fiscal year. Several others were near completion at the end of the year. Twenty-one new Acme markets were opened in the East, and Alpha Beta opened nine stores in Southern California, and eight units in its Northern California Division. The Alpha Beta new store program was somewhat delayed while procedures were being established for environmental surveys and coastal impact studies recently required by the State of California. We support the goals of these legal requirements although they have slowed our store building program. The Company's eastern drug subsidiary, Rea and Derick, opened seven new stores.

To provide better customer service, 14 Acme markets were remodeled or enlarged during the year. Three Rea and Derick units were remodeled. In addition, eight Acme markets and seven Rea and Derick stores were remodeled and restocked due to flood damage caused by tropical storm Agnes in June.

During fiscal 1974, the Company plans to add 50 new food markets. Thirty-six of these will be opened by Alpha Beta, of which 13 will be in its Northern California Division and 23 in Southern California. The first Alpha Beta stores in Arizona will be opened in 1974. Alpha Beta will also open five new Alphy's family restaurants in Southern California. Sixteen Acme markets will be remodeled or expanded. Rea and Derick plans to open seven new drug stores and remodel three.

As of March 31, 1973, the Company operated 863 retail units. Included were 510 Acme and Super Saver markets in the East, 207 Alpha Beta markets in California, 88 Rea and Derick drug stores in Pennsylvania and New York, 10 Hy-Lo drug stores (California), six Value Fair discount department stores (California), 16 Hardee's fast-food restaurants operated by Hardee Northern Inc., the Company's eastern fast-food subsidiary, and 26 Alphy's family restaurants, operated by Alpha Beta.

SUPPORT FACILITIES

Alpha Beta's new Northern Division distribution center at Milpitas, California, completed near the end of fiscal 1972, began serving stores in the Bay area in July. This modern facility was serving 32 markets at the fiscal year's end, including one in Sacramento, the first Alpha Beta to be opened in the state's capital. Shortly after the end of the fiscal year, two other new markets were opened there.

Upper left: Typical of the new markets being opened in the East is this spacious (nearly 33,000 sq. ft.) Acme market in Hamilton Township, N.J., which opened near mid-year. Immediately below: This new Rea and Derick drug store in Bethlehem, Pa., is one of seven new stores opened by the Company's eastern drug subsidiary last year.

Both Acme and Alpha Beta continue to improve freshness (open) dating programs. The Company's own brand perishable and semiperishable products are imprinted with easy-to-read information which indicates the final date on which they may be sold. Sales expiration dates allow for a normal home life for each product. Research is now being conducted by the Company in an effort to supply nutritional information on the labels of many of its own brand products in the near future.

COMMUNITY RELATIONS

The Company continues to expand its role as a responsible corporate citizen. In Philadelphia it voluntarily entered into an agreement with the Philadelphia Commission on Human Relations to increase the employment of members of minority groups, further strengthening its traditional policy of equal opportunity for employment without regard to race, color, creed, national origin, sex or age.

The Company is also participating actively in a new high school project, The Academy for Career Education, in which disadvantaged students are given firsthand knowledge of the retail food industry. During the year Acme cooperated with a Philadelphia elementary school consumer education program by equipping 10 city grammar school classrooms with surplus cash registers, scales and other market equipment, which is being used to teach wise buying habits to sixth grade students.

Throughout its marketing area, the Company actively participates in community programs and projects designed to improve the life of citizens of the area. We are particularly proud of the excellent record of participation by both the Company and its employees in many United Fund and other charitable and volunteer activities.

Last year, over 30,000 elementary school children and their teachers toured Acme's giant Division No. 1 bakery in Philadelphia, where they saw how the Company's "own brand" baked goods are produced. The Alpha Beta bakery offers similar tours.

FINANCIAL POSITION

The Company's working capital increased to $95,983,000 in the fiscal year just ended. On March 30, 1973, the Company borrowed $15,000,000 from several banks for a period of seven years with repayment of principal beginning in 1976, and final maturity in 1980. This new financing will provide a portion of the funds needed to continue the Company's capital investment program. The working capital

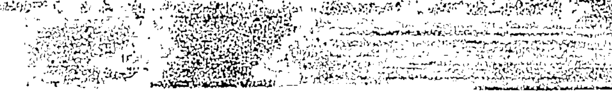
p a ·e a s new, mo·ern ·, ·-square- oo bakery at La Habra, in Southern California, now supplies the baked goods needs of both its Southern and Northern Divisions.

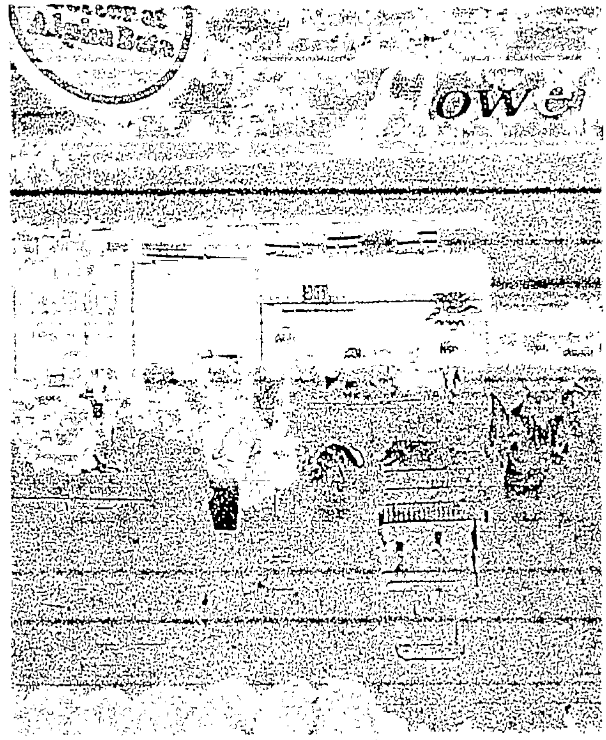
ELECTRONIC CHECKING

It is expected that automated, electronic checking will revolutionize the supermarket industry by the end of the decade. The grocery industry has developed a Universal Product Code (UPC), a standard 10-digit identifying number system, and a corresponding electronic symbol system, which will enable computer-linked, electronic scanning equipment at store checkout stands to identify the numbered products and feed back current price, and other information, for the customer's tape. In addition, the Company will be provided with a wealth of information relating to inventory management, product movement and accounting.

As a first step in this direction, Acme has established two pilot programs involving the manual entry of checkout information into electronic, computer-linked equipment. One system (see photograph) is being tested in Alpha Beta's Irvine, California, market and the other in a Philadelphia Acme market.

Through participation in industry efforts, and by means of its own research and investigation, the Company will be able to keep pace with developments in this fast-emerging field. It will also be ready to take advantage of the opportunities that this advancing technology affords for improved customer service and increased operating efficiency.





Center: Alpha Beta's new Northern Division distribution center at Milpitas, California, opened in July. The facility now serves over 30 markets, including the division's first market in Sacramento, the state capital, and its first market in Stockton, Ca. (immediately above)

PERSONNEL DEVELOPMENT

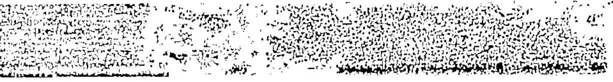
The opportunities for employees to develop their capabilities are continually being increased. Throughout the Company, internal and external training programs are being offered, covering such topics as management techniques, leadership, work simplification, and a variety of "how to" courses in production, marketing and distribution operations. An increasing number of employees have availed themselves of self-development opportunities by completing one or more retail food industry courses offered by Cornell University's home study program. A tuition refund plan is available to all eligible employees in connection with this program.

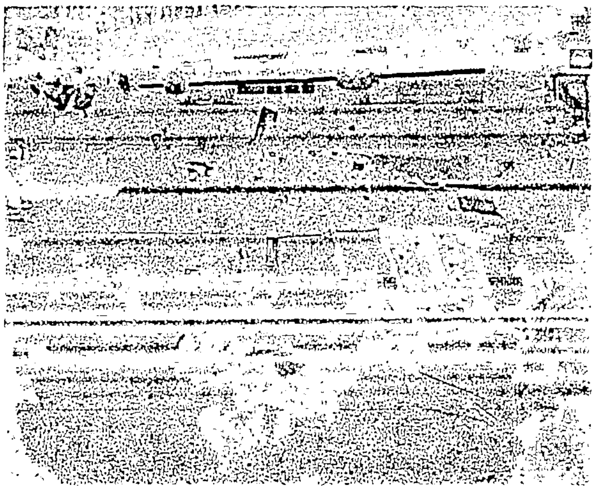
Other training and development efforts have been closely related to the operational and technological changes taking place in the Company and the industry. As an example, a complete training program has been developed in conjunction with our research into electronic checkout systems.

Eligible part-time employees are now able to participate in the Monthly Investment Plan made available by Merrill Lynch, Pierce, Fenner & Smith, Inc. This plan, formerly open to full-time employees, allows participants to purchase whole or partial shares of the Company's common stock, at market, through a payroll deduction plan, with the Company paying commission and brokerage fees. Over 2,200 employees now participate in this plan.

COST CONTROL

As an aid in controlling and reducing costs, and to make the most effective use of available operating funds, a new financial budgeting and forecasting program was implemented in all eastern divisions during the year. A similar program has been in effect at Alpha Beta and has proved very effective. Department heads





A checker at Alpha Beta's Irvine, Ca. market feeds data into an electronic cash register, as a customer's order is checked.

carefully analyze and project all controllable expenditures on an annual basis. Periodic reports of actual expenditures are provided for comparison with previously approved projections.

CUSTOMER SERVICES

Additional use was made of the Company's electronic data processing capability during the year, with the installation of electronic store ordering equipment in the Syracuse, Newark and Baltimore Divisions. This equipment was first utilized by Alpha Beta and the Philadelphia Division several years ago. It enables store management to reorder merchandise quickly and accurately by means of a portable electronic recording device, which is later connected to a centralized computer. The computer, in turn, consolidates the orders and prepares selection and shipping instructions for distribution centers. Manual ordering is eliminated and customer service is improved; inventories and store labor costs are reduced.

During the year, all stores in the New York, Wilkes-Barre and Johnstown Divisions introduced unit pricing, joining the Company's other eastern divisions and Alpha Beta which had earlier offered this valuable consumer aid. Unit pricing lets customers compare prices of different brands, and different sizes of the same brand, on the basis of an appropriate standard unit of measurement, such as price per ounce, per pound, per hundred count or per hundred square feet.

position is adequate to sustain an anticipated strong growth in sales during the current fiscal year, while at the same time enabling the Company to proceed with an aggressive store expansion program.

DIVIDENDS

Cash dividends paid during the year ended March 31, 1973, totaled $5,231,000, compared with $6,831,000 for the previous fiscal year. The lesser amount resulted from a reduction in the quarterly cash rate, effective with the dividend paid January 2, 1973. The Company took this action to conserve cash at a time when the retail food industry was experiencing a severe decline in operating margins and to enable the Company to continue a long-range program of profitable growth without interruption, despite adverse conditions. For the same reasons, Acme did not declare a stock dividend for the 1973 fiscal year.

GENERAL OFFICES

124 North 15th Street
Philadelphia, Pa. 19101

ANNUAL MEETING

The annual meeting
of shareholders will be held in the
Ballroom of
The Warwick Hotel,
17th and Locust Streets
Philadelphia, Pa. on Wednesday,
June 27, 1973 at 3 PM.

TRANSFER AGENT

Bankers Trust Company
Corporate Agency Division
485 Lexington Avenue
New York, New York 10017

REGISTRAR

First National City Bank
New York, New York

STOCK EXCHANGES

New York Stock Exchange
PBW Stock Exchange

SHAREHOLDER COMMUNICATIONS

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